United Nations E/ICEF/2014/AB/L.2

Economic and Social Council

Distr.: Limited
4 April 2014

Original: English

For action

United Nations Children's Fund
Executive Board
Annual session 2014
3-6 June 2014
Item 8 of the provisional agenda*

Office of Internal Audit and Investigations 2013 annual report to the Executive Board

Summary

The present report provides information on the activities of the Office of Internal Audit and Investigations during the year ended 31 December 2013. It delivers an overview of the Office of Internal Audit and Investigations, describes the key issues highlighted by its internal audit and investigations work, and gives information on the disclosure of internal audit reports during 2013. The management response to the report is presented separately, as requested by the Executive Board in its decision 2006/18. The annual report of the UNICEF Audit Advisory Committee for 2013 may be found on the Executive Board website.

* E/ICEF/2014/5.

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I. Executive summary

1. The Office of Internal Audit and Investigations (OIAI) provides UNICEF with independent and objective assurance and advisory services in accordance with the OIAI Charter. In 2013, OIAI was free from interference in determining its audit and investigations scope, performing its work and communicating its results. It has been able to meaningfully contribute to the overall oversight system of UNICEF.

2. Internal audits performed by OIAI help to strengthen UNICEF transparency and accountability regarding the efficient and effective use of resources for achievement of results for children. Its investigation function helps UNICEF to implement a zero-tolerance policy on misconduct, fraud and corruption by investigating allegations of corrupt or fraudulent practices or misconduct involving UNICEF and parties working for or with it. OIAI also focuses management attention on trends, themes and risks; it is able to do this because its remit and activities cover the entire organization, giving it a unique overview.

3. At year end OIAI had issued 51 internal audit reports, and an additional 13 were in varying stages of completion. The reports issued contained a total of 517 actions (including 129 high-priority ones) that management had agreed to implement to address the risks identified by the audits. OIAI also completed six advisory engagements, issuing reports for three. The audits indicate that significant risks continue to exist in four institutional risk areas: results-based management and reporting; budget and cash management; governance and accountability; and supply and logistics.

4. OIAI handled 148 investigation cases in 2013. The majority involved (a) misuse of funds by a third party; (b) burglary, robbery or theft of UNICEF property or funds; and (c) service delivery. Of the 148 allegations received, 103 were closed as completed, including 38 that were unsubstantiated and 26 that OIAI assessed as being outside its purview. Management has taken action, as known to OIAI, on 16 of the 19 investigation reports concerning UNICEF staff. The quantified financial impact of investigated cases is $193,909, of which $57,122 had been recovered as of 31 December 2013.

5. In accordance with Executive Board decision 2012/13 of June 2012, OIAI has continued to publicly disclose internal audit reports, thus directly contributing to UNICEF efforts to increase accountability and transparency to stakeholders.

6. The Audit Advisory Committee continued to advise the Executive Director on ways to strengthen the internal audit and investigations functions of UNICEF. OIAI continued to receive strong support from the UNICEF Executive Director and senior management, who have remained committed to developing and implementing adequate organizational strategies to address the risks identified.

II. Mandate and strategic approach

7. The authority and operational independence of OIAI are established in the UNICEF Financial Regulations and Rules and defined in the OIAI Charter. The most recent version of the charter was approved by the Executive Director on 29 May 2012.

8. OIAI aims to help UNICEF fulfil its fiduciary responsibilities in achieving its programme goals, so that UNICEF can do more for children. Internal audits accomplish this by providing independent, objective assurance and consulting services designed to add value and improve UNICEF operations. OIAI investigations help UNICEF implement a policy of zero tolerance for misconduct, fraud and corruption by examining and determining the veracity of (a) allegations of corrupt or fraudulent practices involving UNICEF and parties working for or with UNICEF, and (b) allegations of misconduct involving UNICEF staff, consultants, non-staff personnel and institutional contractors.

9. In addition to providing specific audits and advisory and investigation services, OIAI adds value to UNICEF by focusing senior management's attention on cross-cutting themes, trends and risks. OIAI can do this because of its independence and objectivity. It also has a broad institutional remit that transcends organizational units and an end-to-end view of core business processes and the links between them. This allows it to analyse processes and identify root causes.

10. The main elements leading to effective and efficient implementation of the OIAI mandate are (a) its functional independence and access to people and records; (b) sufficiency of resources; (c) extent of internal audit and investigation coverage; (d) quality and timeliness of audit and investigation results; and (e) usefulness of these results to key stakeholders.

11. In 2013, there was continuing independent oversight by the Audit Advisory Committee. In addition, OIAI maintained systems to ensure (a) adequate risk-based planning; (b) identification of fraud risks for follow-up action; (c) a quality assurance and improvement programme for both audit and investigations; (d) sufficiency of staff resources; and (e) access to and cooperation with the UNICEF Executive Director and senior management, along with key UNICEF partners.

12. In 2013, the Audit Advisory Committee continued to provide independent advice to the Executive Director to promote the effectiveness of internal audit and investigations functions. The Committee reviewed the OIAI annual workplan, quarterly progress reports and the 2012 annual report. It also reviewed the external quality assurance review reports (see paragraph 16) and the related OIAI action plans for both internal audit and investigations.

13. OIAI continued to receive strong support from UNICEF senior management. The office's Director had regular, productive meetings with the Executive Director and senior management to discuss progress in implementing the OIAI workplan and the results from audit and investigations. The OIAI Director also participated in senior management meetings as an observer, helping to increase awareness of key issues for follow-up by OIAI.

14. OIAI continued to participate in the activities of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. Based on the audit frameworks agreed upon with this group's members in 2007 (for multi-partner trust funds) and in 2011 (for the Delivering as One programme), OIAI participated in three inter-agency audits (see paragraphs 44 and 45), two of which were completed in 2013.

15. OIAI also continued to be represented on the Organizing Secretariat of the Conference of International Investigators. It cooperated with the heads of investigation sections across the United Nations system to share best practices.

16. In 2013, an independent quality assurance review confirmed that OIAI was generally compliant with both the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and the Uniform Guidelines for Investigations (endorsed by the 10th Conference of International Investigators in 2009). This was the first external review of the UNICEF investigations function, which began operations in late 2008.

III. Resources

17. In 2013 the OIAI structure included 30 staff positions: director, deputy director, 2 chiefs of audit, chief of investigations, professional practices chief, editor, 17 auditors, 3 investigators and 3 administrative assistants.

18. The Director joined OIAI in the first week of January 2013 and the Deputy Director in mid-July. OIAI also recruited two P5 senior internal auditors in the first quarter and one P-2 internal auditor in August. In the last quarter, two P-4 internal auditor positions were filled through internal promotions, and the resulting vacant P3 posts were filled in the same quarter. One P-2 auditor position was vacant at year end. The office had also begun recruitment of the additional P-2 investigator position approved for 2014-2017.

19. The office also benefited from the knowledge and time (23 person-weeks) of operational staff from UNICEF country offices, who provided administrative and operational support in audits of country offices other than their own, under the supervision of the audit team. The approximate total cost to OIAI was $62,000, for travel expenditures.

20. OIAI engaged third-party consultants for a total expenditure of approximately $331,000. These pertained to (a) investigation services; (b) audits of the Treasury and of payroll management, including information technology systems; (c) the audit of procurement of supplies, equipment and services; and (d) the audit of the Public Alliances and Resource Mobilization Office. The figure also includes the cost of the consultancy firm that conducted the external quality assessment.

21. The office had a budget allocation of $6,717,648 for 2013, of which 97 per cent was expended by year end. The largest expenditure categories were staff salaries and travel. The office closely monitored the sufficiency of resources to meet its mandate.

22. Throughout 2013, OIAI maintained an efficient office structure, in compliance with UNICEF policies and procedures. It undertook several improvements, to strengthen office management, streamline methodologies and adopt new tools. OIAI introduced remote audits of small and lower-risk country offices.

IV. Basis for providing independent assurance to the Executive Director

23. OIAI hereby confirms to the Executive Board its organizational independence. In 2013, OIAI has been free from interference in determining its audit scope, performing its work and communicating its results.

24. Internal audits in 2013 supplemented other oversight mechanisms that provide assurance to the Executive Director and the Executive Board concerning the adequacy and effectiveness of governance, risk management and control processes to ensure (a) efficient and effective use of UNICEF resources; (b) safeguarding of assets; (c) compliance with regulations, rules and policies; and (d) reliable reporting on financial and programme performance.

25. To provide assurance on governance, risk management and control processes, the OIAI internal audit workplan was fully risk-based and covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels. OIAI identifies areas of higher risks for UNICEF through a bottom-up approach. It involves reviewing prior audit results; leveraging knowledge of risks and controls; regularly consulting with management; and collaborating with external auditors, the Evaluation Office, the Ethics Office and the risk officer. This is complemented by a top-down approach, in that OIAI fully considers institutional priorities and management's view of risks to determine risk criticality and establish annual priorities for audit.

26. The annual OIAI workplan is reviewed by the Audit Advisory Committee and approved by the Executive Director. OIAI adjusts its workplan throughout the year, mainly on the basis of revised priorities and security conditions in the field. OIAI also submits a quarterly performance report to the Executive Director and the Audit Advisory Committee that explains these modifications to the approved workplan.

27. The original OIAI approved workplan included 80 outputs. At year end, it was adjusted downward to 72 outputs, a 10 per cent decrease. OIAI believes the revised workplan was still sufficient to provide the level of internal audit assurance initially envisaged.

28. OIAI issued 55 internal audit and advisory engagement reports in 2013. This consisted of 39 new audit and advisory engagement reports and finalization of 15 audits and 1 advisory engagement that were in process at the end of 2012. Two additional advisory engagements were completed in 2013 without issuance of reports. OIAI completed 87 per cent of the original approved workplan target of 45 new outputs to be completed in 2013. The trend in productivity compared to the prior year was positive; the total number of outputs doubled, from 29 outputs in 2012 to 57 in 2013.

29. The 51 audits completed in 2013 included 42 country office audits, 1 regional office audit, 6 headquarters audits and 2 inter-agency audits. The country office audits included 40 full-scope office audits and 2 audits of a specific function or functions in those offices. The six headquarters audits involved two headquarters business audits and four corporate functions audits, including two audits related to information technology. Annex 1 presents the titles of all internal audit reports issued in 2013.

V. Disclosure of internal audit reports

30. The audit work of OIAI directly contributed to UNICEF efforts to provide greater accountability and transparency to stakeholders. In accordance with Executive Board decision 2012/13 of June 2012, OIAI has publicly disclosed all internal audit reports issued after 30 September 2012. Of the reports issued in 2013, 31 country office and 5 non-country office audits had been publicly disclosed in full by the end of 2013. A further two were redacted and three were withheld by the Director of OIAI in 2013, subsequent to comments received from the concerned Member State and/or the Executive Director. All reports disclosed to date may be viewed on the OIAI pages of the UNICEF website at www.unicef.org/auditandinvestigation.

31. Following implementation of full public disclosure from October 2012, there was a decline in the volume of requests to limit viewing of historical internal audit reports. Executive Board decisions 2009/8 and 2011/21 regarding limited disclosure relate only to those reports issued by OIAI from 2009 to the end of September 2012. OIAI made available three internal audit reports to be viewed by two Member States and approved non-Member States through the legacy remote access system.

VI. Internal audit results

A. Actions agreed by management

32. The 51 internal audit reports issued by OIAI contained a total of 517 actions that management agreed to take in order to address the risks and weaknesses identified by the audits. Of these, 129 (25 per cent) were rated as high priority (i.e., requiring immediate attention) and 388 (75 per cent) were rated as medium priority. The number of high-priority recommendations in each of the internal audit reports issued is given in annex 1.

33. Audits of country offices and headquarters and thematic audits include a review of key processes under the 12 risk areas UNICEF has defined under its risk assessment and reporting structure. Under 7 of the 12 risk areas, OIAI has categorized the actions agreed by management as shown in table 1. (Action related to the remaining 5 risk areas is detailed in paragraph 34.)

Table 1
Number of agreed actions by key risk are

		Number of recommendations		*Per cent of total*	
Risk category	*Risk area*	*Total*	*High priority*	*Total*	*High priority*
Institutional	Funding and external stakeholder relations	32	6	6%	5%
	Governance and accountability	97	21	19%	16%
Programmatic and operational	Budget and cash management	63	17	12%	13%

Risk category	Risk area	Number of recommendations		Per cent of total	
		Total	High priority	Total	High priority
	Human resources and unethical behaviour	26	7	5%	5%
	Information technology systems and information security	35	9	7%	7%
	Results-based management and reporting	197	56	38%	44%
	Supply and logistics	67	13	13%	10%
Total		**517**	**129**		

34. In 2013, issues related to the risk area of fraud and misuse of resources were addressed under investigations, and issues related to the risk area of organizational strategy and neutrality were primarily tested at the country level under governance and accountability. A few audit issues identified under the safety and security risk area were communicated to management confidentially, for immediate attention. There were no significant audit issues for the risk areas of natural disasters and epidemics or unidentified/unclassifiable.

35. OIAI identified five key processes under four institutional risk areas as presenting the key risks for UNICEF, as follows:

(a) Governance and accountability:

(i) *Supervisory structures* (9 per cent of all high-priority recommendations). This covers establishment and functioning of mandated statutory committees and other advisory groups.

(b) Results-based management and reporting:

(i) *Support to implementation* (28 per cent of all high-priority recommendations). This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners;

(ii) *Monitoring of programme implementation* (11 per cent of all high-priority recommendations). This covers the extent to which inputs are provided, work schedules are kept to and planned outputs are achieved, so that any deficiencies can be detected and dealt with promptly;

(c) Budget and cash management:

(i) *Financial management* (11 per cent of all high-priority recommendations). This covers budgeting, accounting, bank reconciliations and financial reporting.

(d) Supply and logistics:

(i) *Procurement and contracting* (8 per cent of all high-priority recommendations). This covers the full procurement and supply cycle,

including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.

36. UNICEF management has agreed and taken action to address or mitigate the risks in order to further improve the management for results.

B. Distribution of audit ratings

37. Based on the results of an audit, OIAI assigns an overall audit rating; listed from positive to negative, they are: (a) unqualified, (b) moderately qualified, (c) strongly qualified or (d) adverse. This four-tier rating allows senior management to get an overall picture of audit results for the organizational unit or function audited and to focus its risk management efforts on those that are rated adverse or strongly qualified. The ratings of adverse and strongly qualified mean that OIAI is of the view that controls and processes related to the unit or function audited needed improvement to be adequately established and functioning. Conversely, unqualified and moderately qualified audit ratings signal to management that OIAI was satisfied that controls and processes were generally established and functioning as intended.

38. Out of 51 internal audit reports issued in 2013, 30 had a moderately qualified rating, 20 had a strongly qualified rating and 1 had an adverse rating. The West and Central Africa region accounted for half of the 21 strongly qualified/adverse audit ratings, and the East and Central Africa region for 25 percent. Table 2 presents the distribution of ratings by type of audit.

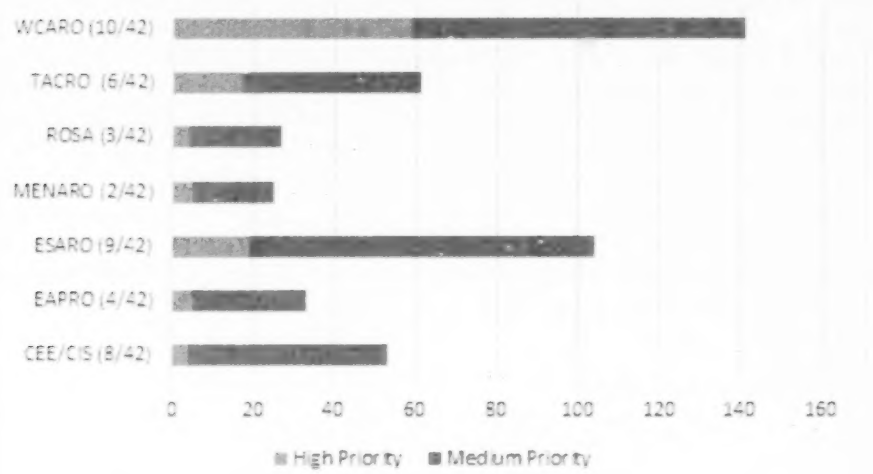
Table 2
Distribution of audit ratings

Audit areas		*Number of audits*	*Number of unqualified ratings*	*Number of moderately qualified ratings*	*Number of strongly qualified ratings*	*Number of adverse ratings*
Country office audits	WCARO	10	0	0	9	1
	TACRO	6	0	4	2	0
	ROSA	3	0	3	0	0
	MENARO	2	0	1	1	0
	ESARO	9	0	4	5	0
	EAPRO	4	0	3	1	0
	CEE/CIS	8	0	8	0	0
Inter-agency audits		2	0	2	0	0
Headquarters, Regional and Thematic		7	0	5	2	0
Total		**51**	**0**	**30**	**20**	**1**

C. Significant results of country office audits

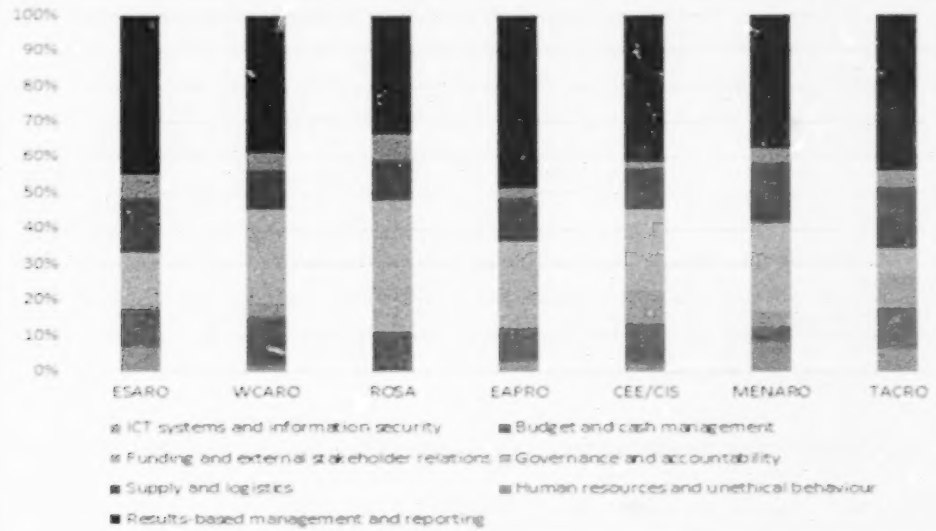
39. The 42 country office audits completed in 2013 included 40 full-scope audits and two audits that focused on a country office's specific function. The number of agreed high- and medium-priority actions arising from audits of country offices in each region is presented in figure I. As shown, the highest number of country office audits was conducted in the West and Central Africa region, which also had the highest number of agreed actions.

Figure I
Number of agreed actions by region and priority rating



40. The highest frequency of agreed actions was found in the risk area of results-based management and reporting (see figure II). This was followed by the risk area of governance and accountability. The main cause for the risks identified concerned assurance that UNICEF partners have delivered activities and spent funds as intended/reported. UNICEF policy provides for a structured approach to obtaining this assurance, but offices did not always implement it. At the same time, internal governance mechanisms for country offices were not always adequate to effectively manage risk and oversee programme implementation and general office administration.

Figure II
Distribution of agreed actions by risk area and region



41. The two limited-scope audits were conducted to cover the high level of risks presumed in two specific functions, one in the Kenya country office and the other in the Sierra Leone office. The significant results of these audits are as follows.

42. *Government of the Netherlands-Supported WASH Programme of the Kenya Country Office 2013/24*: This audit reviewed controls over the Netherlands-supported water, sanitation and hygiene education (WASH) programme of the Kenya country office. The audit recommended that the office take immediate necessary measures to accelerate improvements in internal controls, governance and risk management of the programme; build capacity of partners to ensure effective programme monitoring; and implement an assurance plan, including spot checks on the use of funds.

43. *Supply Management in Sierra Leone Country Office 2013/32* The audit covered aspects of UNICEF supply management in Sierra Leone, including planning for and clearance of shipments and handling of supplies in-country. A number of recommendations were made, including to strengthen risk management; review the structure and skills of the supply unit; prepare an annual procurement plan; and promptly review and pay invoices.

D. Significant results of inter-agency audits

44. *Democratic Republic of Congo Country Office Pooled Fund 2013/15*: The Democratic Republic of Congo Pooled Fund was established in 2006 for humanitarian activities in the country. It is intended to improve the ability of the United Nations to target, raise and deploy funds for the most critical humanitarian needs. The OIAI audit was one of a number of coordinated audits conducted by participating agencies. The audit found that the UNICEF office's controls over its

activities related to the Pooled Fund were generally functioning and noted that the office had developed an innovative and flexible approach to responding to emergencies. The audit did not issue any high-priority recommendations. However, it issued a number of less urgent recommendations connected with cluster coordination, monitoring of emergency response and cash transfers.

45. *Joint Audit of the Joint Office in Cape Verde 2013/47, UNDP No. 1154*: The Cape Verde office is part of a joint inter-agency country programme, and UNICEF participated in a joint audit of the office with the United Nations Development Programme (UNDP), United Nations Population Fund and United Nations Office on Drugs and Crime. The report, issued by UNDP, raised a number of issues, of which six were considered high priority. These concerned weaknesses in joint resource mobilization strategy, funds allocation criteria, sustainability of the Coherence Unit, programme planning, monitoring and evaluation, and assurance activities under the harmonized approach to cash transfers. The audit also noted the lack of a joint memorandum of understanding, which was rated a high-priority issue, but no recommendation was issued on it.

E. Significant results of headquarters and regional office audits

46. *Baseline Security in the UNICEF ERP System 2013/07*: The audit assessed the UNICEF enterprise resource planning (ERP) baseline security and its protection of the confidentiality and integrity of data and programmes. As a result of the audit, OIAI recommended that UNICEF consider having a dedicated, specialized function for ERP security, along with updated procedures covering all its aspects. OIAI also recommended having documented criteria for granting access to critical permissions.

47. *User Access Controls and Segregation of Duties 2013/08*: The audit assessed UNICEF processes to detect and prevent unauthorized access and alterations in the ERP system through weaknesses in user access controls. The audit noted that UNICEF did not yet have an operational framework for the design and modification of user roles, segregation of duties and other areas. The number of segregation-of-duties conflicts in the Virtual Integrated System of Information (VISION) was very high, and access rights were not immediately flagged for potential violations when granted. The audit made several recommendations to address these matters and recommended having documented criteria to identify critical transaction codes.

48. *Procurement on Behalf of Other Organizations and Governments by Supply Division 2013/11*: The UNICEF Supply Division procures supplies, equipment and services for UNICEF and for governments, other United Nations organizations and non-governmental organizations. The audit found that controls over procurement on behalf of other organizations and governments were generally functioning, and no high-priority recommendations were made. However, OIAI did make some less urgent recommendations regarding some systems and processes for governance, accountability, performance monitoring, information technology and workflow.

49. *UNICEF Treasury Management 2013/25*: The OIAI audit of UNICEF Treasury management covered a number of areas, including risk management, safeguarding of financial assets, optimization of investment returns and reporting. It found controls generally functioning and noted several positive practices, including a comprehensive foreign currency risk management strategy. The audit made a

number of recommendations for further improvement, including reduction of unnecessary manual processes and measures to reduce returned payments.

50. *East Asia and Pacific Regional Office 2013/46*: The audit of the East Asia and Pacific Regional Office identified a number of positive practices, including a broad range of measures to improve emergency preparedness, good support to country offices on risk-informed planning, support to programme monitoring, strong attention to ethical conduct and behaviour, and adequate procedures for financial and property management. The audit made a number of recommendations, only two of which were regarded as high priority. They concerned the approach to cash transfers to partners, and procurement processes.

51. *Public Sector Alliances and Resource Mobilization Office (PARMO) 2013/54*: PARMO has lead responsibility for UNICEF resource mobilization from public sector donors. The audit found controls over PARMO generally functioning and identified some satisfactory practices, including the availability of guidance for country offices on fundraising and clear demarcation of responsibilities for donor engagement. However, the audit recommended revision of the executive directive to set out a strategic vision for resource mobilization and a global strategy to improve donor reports.

52. *Office of Research 2013/55*: The Office of Research is based at the Innocenti Research Centre in Florence. It aims to focus and exploit UNICEF knowledge and experience, encourage new research and better inform UNICEF work in country and regional offices. The audit's most important recommendations were for issuance of an executive directive setting out a policy on research that defines the office's mandate and reporting requirements and a review of the office's funding mechanisms.

F. Advisory services

53. Consistent with internal audit standards, the OIAI workplan is designed to include a reasonable number of advisory reviews. These provide management with guidance on risks and controls and assist in adding value and depth to OIAI's core assurance work. They also allow OIAI to assist management in ensuring timely intervention on issues of concern. OIAI issued four advisory engagement reports and completed two more advisory service engagements for which no reports were issued.

54. Three of the advisory engagements related to cross-cutting areas in UNICEF. They were (a) a user assessment of VISION implementation; (b) input to efforts to strengthen implementation of the harmonized approach to cash transfers; and (c) participation in discussions and consultations on updating the regulatory framework. The other three advisory engagements related to issues in specific country offices, including (a) support to the Sierra Leone country office in settling a dispute with a clearing and forwarding company; (b) follow-up on the progress made by UNICEF in managing the infested corn-soya blend in the Somalia country office; and (c) assisting the Somalia country office by reviewing liquidation documents supplied by an implementing partner.

55. *User assessment of VISION implementation (2013/20)*: OIAI originally proposed this as an audit, but changed it to an advisory services engagement based

on its limited scope. VISION (Virtual Integrated System of Information) is the UNICEF management system, introduced in January 2012. The advisory engagement reviewed the extent to which users were prepared for VISION's roll-out, their level of acceptance and their satisfaction with it. It also identified lessons learned. The advisory services work was based on survey analysis and interviews with UNICEF senior management. On the basis of this work, OIAI suggested a communications strategy to share information about the project's accomplishments. This would emphasize the benefits of VISION to its users, and would encourage relevant divisions and/or business owners to improve coordination, training and reporting. Other important aspects of VISION's implementation, such as a cost-benefit analysis, are planned for 2014, as part of an audit.

56. *Support to Sierra Leone Country Office in settling dispute with a clearing and forwarding company (2013/23)*: This advisory service was requested by the UNICEF West and Central Africa Regional Office. OIAI was asked to review a report commissioned by the country office that indicated over-charging by a Government-owned clearing and forwarding company. OIAI determined that there was no overcharge to the country office. However, it also identified significant risks related to the supply function in the Sierra Leone country office, and adjusted its workplan to include an audit of this area. This was issued as *Supply management in Sierra Leone Country Office 2013/32* (see paragraph 43 above).

57. *Follow-up on the progress made by UNICEF in managing the infested corn soya blend in the Somalia Country Office Report 2013/02 (2013/42)*: OIAI initiated this advisory engagement to follow up on UNICEF progress in managing an infested consignment of corn soya blend. The problem with this consignment had been disclosed in the Somalia country office report, issued in February 2013. OIAI determined that the required steps were being taken to identify the causes of the infestation, recover losses, and dispose of contaminated supplies.

58. *Cash advances, liquidation and reimbursement from the Somalia Country Office (2013/51)*: The Somalia country office requested this engagement, as it had concerns over the documentation related to the liquidation of a number of cash advances submitted to it by an implementing partner. OIAI reviewed the sufficiency, accuracy and completeness of liquidation documents for cash advances and/or reimbursements. From the documentation provided, OIAI could not satisfy itself that it was sufficient to support the liquidation and/or reimbursement of past and pending cash transfers. Advice given included clear identification of original supporting documents, further review and confirmation of third-party charges, and consultation with the regional office, for guidance.

59. *Input to agency efforts to strengthen implementation of the Harmonized Approach to Cash Transfers (HACT)*: OIAI originally initiated this as an audit and included it in the 2013 workplan. It was changed to an advisory services engagement in the first quarter, in recognition of other initiatives in this area currently underway in the United Nations, such as the United Nations Development Group's review of the HACT Framework. The advisory work provided by OIAI included: review and provision of comments on the draft revision of the HACT Framework; commentary on the quality of audit reports of implementing partners of country offices; review of, and comments on, the proposed UNICEF HACT policy revisions; and contributions to the HACT audit and assurance and HACT validation workshops.

60. *Advisory input to discussions on the regulatory framework*: At the request of the Change Management Office, OIAI provided input to the development of an updated organizational regulatory framework to support UNICEF in its ongoing drive for better use of resources. The input also addressed recommendations OIAI had made in the *Audit of the framework for managing policies, procedures and guidance* (2012/15). OIAI provided advice on clarification of objectives, definition of terminology, linkage to frameworks, and presentation.

G. Follow-up on audit recommendations

61. As part of its audit activity, OIAI continued to undertake regular desk reviews to follow up on the progress of implementation of all actions agreed by management to address the issues noted in audit engagements. Mitigating actions that have not been implemented more than 18 months from the date indicated for their completion are included in OIAI's quarterly reports and flagged for the attention of the Executive Director, senior management and the Audit Advisory Committee.

62. As of 31 December 2013, there were five outstanding recommendations older than 18 months, well within the UNICEF target of 'below 10'. One related to country offices and four to headquarters, regional offices and thematic areas. Annex 2 includes the details of recommendations outstanding for more than 18 months.

VII. Investigations results

A. Case management

63. OIAI managed 148 investigation cases during 2013, as shown in table 3. This included 21 cases carried over from 2012 and 127 allegations received in 2013 that were found to constitute serious suspicions of wrongdoing. The overall caseload intake more than doubled from 62 cases in 2012 to 127 cases in 2013.

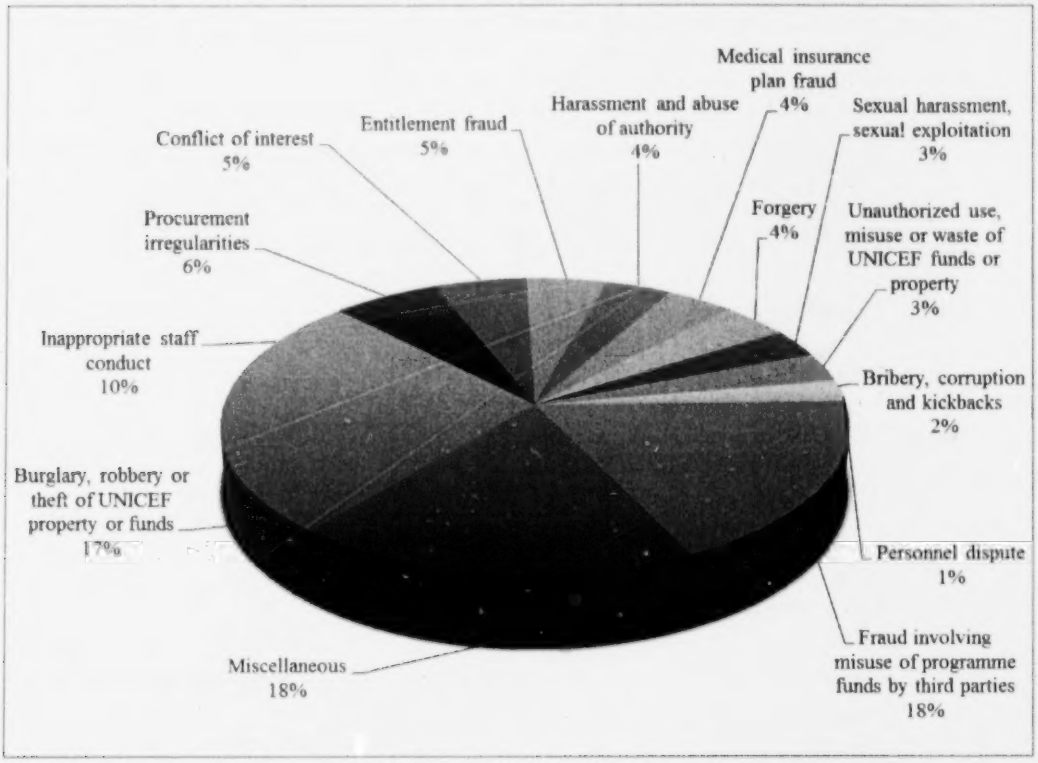
Table 3
Processing of investigation cases in 2013

	Number of cases
Carry-over as of 1 January 2013	21
Intake during the year	127
Total cases	**148**
Closed (from cases carried over)	(21)
Closed (from intake)	(82)
Total cases closed	**103**
Cases ongoing as of 31 December 2013	45

B. Analysis of cases

64. OIAI analyses allegations and cases under 17 categories (see figure III). The majority of cases in 2013 involved three categories: *fraud involving misuse of programme funds by third parties* (23 cases, or 18 per cent); *miscellaneous* (23 cases, or 18 per cent); and *burglary, robbery or theft of UNICEF property or funds* (21 cases, or 17 per cent). *There were no cases in 2013 under three categories: gross mismanagement; wilfully making false allegations; and whistleblower retaliation.*

Figure III
Cases by categories in 2013


Medical insurance plan fraud 4%
Harassment and abuse of authority 4%
Entitlement fraud 5%
Conflict of interest 5%
Sexual harassment, sexual exploitation 3%
Forgery 4%
Procurement irregularities 6%
Unauthorized use, misuse or waste of UNICEF funds or property 3%
Inappropriate staff conduct 10%
Bribery, corruption and kickbacks 2%
Burglary, robbery or theft of UNICEF property or funds 17%
Personnel dispute 1%
Fraud involving misuse of programme funds by third parties 18%
Miscellaneous 18%

65. The majority of cases originated from the Eastern and Southern Africa region (24 per cent), the West and Central Africa region (23 per cent) and the South Asia region (22 per cent).

66. The 45 cases ongoing as of 31 December 2013 consisted of allegations of *fraud involving misuse of programme funds* by third parties (17 cases, or 38 per cent) and *burglary, robbery or theft of UNICEF property or funds* (7 cases, or 15 per cent). Investigations of allegations of *fraud involving misuse of programme funds by third parties* are more resource-intensive and typically require travel by investigators.

C. Disposition of 103 completed cases

67. In 38 instances (or 37 per cent), the case was closed because the assessment by OIAI could not substantiate the allegation. Another 26 matters were assessed and considered outside the purview of OIAI. They were referred for action to another UNICEF office, another organization or a local authority. Most of the referrals are categorized as *miscellaneous*, meaning they relate to a question or concern linked to delivery of services or supplies that would be addressed by the country or region without the need for OIAI's involvement (22 such cases under the *miscellaneous* category.) The disposition of all cases completed in 2013 is described in more detail in table 4. The disposition of cases by category of allegation is shown in Annex 3.

Table 4
Disposition of investigation cases in 2013

	Number of cases
Closure memorandum (allegation not substantiated)	38
Referral to a UNICEF office, United Nations body or local authority	26
Closure memorandum (allegation in which no offender was identified)	12
Closure memorandum (staff member left the organization during investigation)	5
Closure memorandum (offender identified and arrested by local authority)	3
Investigation report submitted to Division of Human Resources	19
Total cases closed in 2013	**103**

68. Of the 103 cases closed in 2013, 85 per cent were closed within six months of receipt of the allegation.

69. The quantified financial impact, as known to OIAI, of investigated cases is $193,909, of which $57,122 had been recovered as of 31 December 2013. A breakdown of these amounts is presented in table 5.

Table 5
Financial impact of investigation cases in 2013

	Reported impact	*Amount recovered*
Entitlement fraud	$32 210.03	$31 846.53
Medical insurance plan fraud	$14 497.28	$7 720.22
Unauthorized use, misuse or waste of UNICEF property or funds	$1 822.48	$1 822.48
Burglary, robbery or theft of UNICEF property or funds	$120 541.67	$3 819.00
Fraud involving misuse of programme funds by third parties	$24 837.56	$11 914.06
Total	**$193 909.02**	**$57 122.29**

D. Disciplinary measures and other actions taken

70. OIAI submitted 19 investigation reports, related to 19 staff members, to the Policy and Administrative Law section of the Division of Human Resources for appropriate action. By the end of 2013, they had resulted in the following:

(a) One dismissal;

(b) Four written reprimands;

(c) Two written censures;

(d) One written censure with loss of steps in grade;

(e) Two demotions;

(f) Two demotions with deferment of eligibility of promotion for one year; and,

(g) Four reports that resulted in no further action.

71. The remaining three reports referred to the Division of Human Resources were still in process as of 31 December 2013.

E. Risk management

72. OIAI analyses allegations and investigation findings and reports to management on trends identified and lessons learned, to help UNICEF management in its efforts to address fraud and misconduct risks in a timely and effective manner. The results of the analysis also serve as a basis for OIAI to develop training and tools to further enable UNICEF staff to identify and mitigate corruption risks.

F. Strengthening of investigations capacity

73. In 2013, a staff of four investigators conducted all the UNICEF investigations. Consultancy services were used to support case management and execution of investigations. At year end OIAI was in the process of recruiting an additional P-2 investigator with forensic background.

74. In its 2014 work planning OIAI noted that it would require additional permanent resources to fill the estimated resource gap of 440 investigator-days based on workload projections. Strengthening the investigation capacity will help OIAI to deliver the full range of activities required under its mandate, especially in terms of effectively meeting the demand for advice and interventions related to allegations concerning third parties working for or with UNICEF.

Annex 1

Audit and advisory reports issued in 2013[1]

No.	Reference	UNICEF country office audits	Number of agreed actions		Report conclusion[2]
			Total	High priority	
1	2013/01	*Kenya country office*	12	1	Q-M
2	2013/02	*Somalia country office*	15	3	Q-M
3	2013/03	*Nigeria country office*	17	4	Q-S
4	2013/04	*Lao People's Democratic Republic country office*	7	0	Q-M
5	2013/05	*Burkina Faso country office*	8	3	Q-S
6	2013/06	*Ethiopia country office*	12	3	Q-S
7	2013/09	*Mongolia country office*	5	0	Q-M
8	2013/10	*Honduras country office*	3	1	Q-M
9	2013/12	*Angola country office*	17	0	Q-M
10	2013/13	Botswana country office	6	1	Q-M
11	2013/14	*Senegal country office*	9	4	Q-S
12	2013/16	*Democratic Republic of the Congo country office*	17	6	Q-S
13	2013/17	The former Yugoslav Republic of Macedonia country office	7	0	Q-M
14	2013/18	Montenegro country office	6	0	Q-M
15	2013/19	Romania country office	6	1	Q-M
16	2013/21	Bhutan country office	6	1	Q-M
17	2013/22	Uganda country office	10	3	Q-S
18	2013/26	Guyana and Suriname joint country office	4	1	Q-M
19	2013/27	United Republic of Tanzania country office	13	2	Q-S
20	2013/28	Ecuador country office	18	5	Q-S
21	2013/29	São Tomé and Principe country office	13	5	Q-S
22	2013/30	Equatorial Guinea country office	15	7	Q-S
23	2013/31	Gabon country office	10	3	Q-S

[1] The audit and advisory reports are listed in order of report reference number. Reports in italics were carried over from 2012.

[2] The report conclusions may be: Unqualificd (satisfactory) (U); Qualified-moderate (Q-M); Qualified-strong (Q-S); or, [redacted]

No.	Reference	UNICEF country office audits	Number of agreed actions		Report conclusion[2]
			Total	High priority	
24	2013/33	Egypt country office	6	2	Q-M
25	2013/34	Republic of Moldova country office	6	0	Q-M
26	2013/35	Thailand country office	10	2	Q-M
27	2013/36	Congo country office	15	7	Q-S
28	2013/37	Maldives country office	3	0	Q-M
29	2013/38	Malaysia country office[3]	11	3	Q-S
30	2013/39	Kazakhstan country office	6	0	Q-M
31	2013/40	Serbia country office	6	1	Q-M
32	2013/41	Lesotho country office	10	2	Q-S
33	2013/43	Yemen country office	19	3	Q-S
34	2013/44	Paraguay country office	13	2	Q-M
35	2013/45	Jamaica country office	6	1	Q-M
36	2013/48	Georgia country office	7	2	Q-M
37	2013/49	Haiti country office	17	7	Q-S
38	2013/50	Armenia country office	9	0	Q-M
39	2013/52	Chad country office	20	8	Q-S
40	2013/53	Afghanistan country office	18	3	Q-M
41	2013/24	Government of the Netherlands-supported WASH programme of Kenya country office	9	4	Q-S
42	2013/32	Supply management in Sierra Leone country office	17	11	
		Headquarters, regional office and thematic area audits			
1.	2013/07	*Baseline security in the UNICEF ERP system*	6	3	Q-S
2.	2013/08	*User access controls and segregation of duties*	10	5	Q-S
3.	2013/11	*Procurement on behalf of other organizations and governments by Supply Division*	6	0	Q-M
4.	2013/25	*UNICEF Treasury Management*	13	2	Q-M
5.	2013/46	East Asia and Pacific regional office	17	2	Q-M

[3] The total of recommendations in the Chad, Yemen and Georgia audits include risks contained in confidential memos.

No.	Reference	UNICEF country office audits	Number of agreed actions		Report conclusion[2]
			Total	High priority	
6.	2013/54	Public Sector Alliances and Resource Mobilization	10	2	Q-M
7.	2013/55	Office of Research	7	2	Q-M
		Inter-agency audits			
1.	2013/15	Democratic Republic of the Congo country office Pooled Fund	4	0	Q-M
2.	2013/47	Cape Verde country office[4]	0	0	Q-M
		Advisory services			
1.	2013/20	*User assessment of VISION implementation*	NA	NA	NA
2.	2013/23	Support to Sierra Leone country office in settling a dispute with a clearing and forwarding company	NA	NA	NA
3.	2013/42	Follow-up on the progress made by UNICEF in managing the infested corn-soya blend in the Somalia country office	NA	NA	NA
4.	2013/51	Cash advances, liquidation and reimbursement from the Somalia country office	NA	NA	NA
		Total	**517**	**129**	

NA = not applicable.

[4] The Cape Verde joint audit report included 18 recommendations (6 high priority), though none were addressed to UNICEF specifically for complete action.

Annex 2

Recommendations unresolved for more than 18 months

I. Bolivia (Plurinational State of Bolivia) country office report, issued March 2011 (one recommendation, open 33 months)

1. The office should commission a special audit of funds transferred to the Beni Department of Health Services as per the framework guidelines of the harmonized approach to cash transfers, with guidance and if necessary support from the regional office and OIAI.

Summary status: The Bolivia country office was awaiting approval from the UNICEF Comptroller to write off the funds given to Sedes Beni. This was received in February 2014, and has OIAI has now closed the recommendation. As of 31 December 2013, however, this approval had not been received and the recommendation was therefore open for the purposes of this report.

II. Audit of staff rotation, issued June 2011 (one recommendation, open 30 months)

2. The recommendation pertains to global and senior staff rotation as well as periodic management evaluation of staff rotation.

3. Summary status: The last update was in February 2013. An initial draft of a new rotation policy was shared with the Office of the Executive Director and comments had just been received. Once these have been satisfactorily addressed, the draft will move into the consultation phase of the policy development process.

III. Audit of framework for managing policies and procedures, issued June 2012 (three recommendations, open 18 months)

4. One recommendation pertains to governance structure for managing organizational policies, procedures and guidance that balance the practical realities of the UNICEF business model with good practices.

5. Summary status: The latest update was in November 2013. The task force continues to work on:

(a) Standardized organizational approach to the development, management and quality assurance of policy, procedure and guidance;

(b) Governance and oversight of the regulatory framework, including proposals for delegation of authority tools;

(c) A global platform that will ensure access to all regulatory content and enable monitoring and management of framework content, including feedback mechanisms to inform future development of regulatory content;

(d) A systematic approach for headquarters divisions to consolidate, review and revise all existing regulatory content for integration into the approved framework;

(e) A proposal for a roll-out and implementation plan to support the organization in transitioning to the new regulatory framework structure and approach.

6. A second recommendation pertains to establishing minimum standards for policy development and management.

7. Summary status: The latest update was in November 2013. The discussion paper is scheduled to be presented to the Effectiveness and Efficiency Steering Committee for discussion and validation.

8. The third recommendation pertains to defining a common organizational platform for storing all policies and procedures.

9. Summary status: The latest update was in November 2013. A consultancy firm has been contracted to develop a strategy and roadmap for the UNICEF corporate information management architecture. The task force anticipates that the regulatory framework will be a prominent feature in this architecture and that that the architecture will allow appropriate linkages among policy, procedure and guidance and training materials and other knowledge resources. The task force awaits the recommendations of the consultancy and the decisions of the Executive Director and the Global Management Team.

Annex 3

Disposition of 2013 allegation cases by category

Category of Allegation	Disposition of Cases						Total cases by category
	Closure Memorandum (following preliminary assessment, where allegation was not substantiated)	Closure memorandum (staff member left the organisation during investigation)	Closure memorandum (offender identified and arrested by local authorities)	Closure memorandum (no offender identified)	Investigation report submitted to DHR	Referral (to UNICEF Office/UN body/Local Authorities)	
Procurement Irregularities[5]	6	0	0	0	1	0	7
Harassment or Abuse of Authority	6	0	0	0	1	0	7
Conflict of Interest	5	0	0	0	1	0	6
Burglary, Robbery or Theft of UNICEF Property or Funds	4	1	1	10	0	1	17
Fraud involving Misuse of Programme funds by Third Parties	4	0	2	0	0	1	7
Unauthorised use, misuse or waste of UNICEF Funds or Property	5	0	0	0	2	0	5
Inappropriate Staff Conduct	3	0	0	1	7	0	11

[5] Including three cases of hiring of consultants.

Entitlement Fraud	2	1	0	0	3	1	7
MIP Fraud	2	3	0	0	1	0	6
Forgery	2	0	0	1	2	0	5
Personnel Disputes	1	0	0	0	0	0	1
Gross Mismanagement resulting in either financial or reputational damage to UNICEF	0	0	0	0	1	0	1
Miscellaneous	0	0	0	0	0	21	21
Sexual Harassment, Sexual Exploitation	0	0	0	0	0	2	2
Total	**38**	**5**	**3**	**12**	**19**	**26**	**103**

United Nations E/ICEF/2014/AB/L.3

Economic and Social Council

Distr.: Limited
4 April 2014

Original: English

For discussion

United Nations Children's Fund
Executive Board
Annual session 2014
3-6 June 2014
Item 8 of the provisional agenda*

UNICEF management response to the annual report of the Office of Internal Audit and Investigations for 2013

Summary

The present report is submitted to the Executive Board in accordance with decisions 2010/17, 2011/21 and 2012/13. It presents the management response of UNICEF to the annual report of the Office of Internal Audit and Investigations for 2013 (E/ICEF/2014/AB/L.3).

A status update on implementation of recommendations from earlier audits that have remained unresolved for 18 months or more is provided in the annex to the present report.

* E/ICEF/2014/5.

14-29082 (E) 170414

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I. Introduction

1. This report has been prepared by the management of UNICEF in response to the Office of Internal Audit and Investigations (OIAI) annual report for 2013. The report outlines the steps that management has taken to address the key issues identified in the audits and investigations undertaken by OIAI in 2013, as summarized in their annual report.

2. The management of UNICEF is committed to having an effective internal audit and investigations function and to having OIAI carry out its activities in accordance with its Charter. UNICEF management welcomes the strong leadership provided by the new Director and Deputy Director of OIAI, both of whom took up their posts in 2013.

3. Management appreciates the quarterly reporting by OIAI on the status of the implementation of its annual workplan and on the follow-up to its recommendations. The quarterly reporting enhances the capacity of management to monitor the implementation of audit recommendations in a systematic manner.

4. UNICEF welcomes the valuable contribution of the UNICEF Audit Advisory Committee (AAC) in reviewing and commenting on OIAI workplans and reports and in providing general advice. The specific advice by the AAC is addressed in section VI of this report.

5. Management notes that 51 internal audit reports were issued in 2013, with 129 high-priority recommendations out of a total of 517 recommendations. This is a significant increase over the 28 reports issued in 2012, with 71 high-priority recommendations out of a total of 236 recommendations. Management appreciates the increased number of audits carried out and the consequent increase in assurance that this brings, and notes that the ratio of high-priority recommendations to the total number has decreased slightly, from 30 per cent in 2012 to 25 per cent in 2013.

6. UNICEF notes that in 2013 an independent quality assurance review confirmed that OIAI was *generally compliant* with both the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA) and the Uniform Guidelines for Investigations (endorsed by the 10th Conference of Internal Investigators in 2009). Management is pleased to note that *generally compliant* is the highest rating given by the IIA.

II. Public disclosure of internal audit reports

7. Pursuant to Executive Board decision 2012/13, all internal audit reports are now subject to public disclosure. The same decision provides for the Executive Director and Member States to request the Director of OIAI to redact or withhold reports on certain conditions. Of the 44[1] audits publicly disclosed in 2013, the Executive Director requested that two be redacted, as certain paragraphs in one of the two reports were particularly sensitive, and the other report contained

[1] The 44 audit reports disclosed in 2013 included some 2012 reports, as there is a period of time required by the Executive Board decision between the issue of a report and its disclosure, so that affected Member States and the UNICEF Executive Director may comment. For the same reason, not all reports issued in 2013 can be disclosed in 2013.

paragraphs that might compromise a pending action or the security of the organization. The Executive Director also requested that three audit reports be withheld due to a pending action in one, and potential threats to the security of the organization in the other two. The Director of OIAI agreed with the requested redactions and withholding of reports. Management also notes that the Director of OIAI exercised her discretion to place two recommendations with security implications from two reports into confidential letters that are not subject to disclosure.

III. Management actions and plans to address overall findings

8. The OIAI annual report lists five audit recommendations unresolved for more than 18 months, as of 31 December 2013. Management notes that follow-up actions have since led to closure by OIAI of one of the recommendations, pertaining to the audit of the Plurinational State of Bolivia country office. Details of follow-up action on the four remaining recommendations are contained in the annex to the present report. In summary, one recommendation from the audit of staff rotation remains open pending the issue of a revised rotation policy. A draft policy has been developed and is at the final stage of clearance. Management anticipates that it will be issued in the third quarter of 2014. The remaining three recommendations relate to the audit of the framework for managing policies, which was issued in June 2012. Management anticipates that the actions detailed in the annex will be completed by the end of 2014.

9. UNICEF management notes that of the 51 audits issued in 2013, 30 had a moderately qualified conclusion (or satisfactory, as it was called prior to a change in nomenclature in 2011), 20 had a strongly qualified conclusion and one had an adverse conclusion. Management notes that the single adverse conclusion was of an audit of a specific function in a country office, and that no Country Office received an adverse overall rating. This is a significant improvement over the previous three years where a total of 10 country offices or divisions received unsatisfactory or adverse overall ratings. Management reviews all audit reports carefully and notes that while an unqualified or moderately qualified rating signals that OIAI was satisfied that controls and processes were generally established and functioning as intended, management still systematically tracks the follow up to ensure that all recommendations are fully implemented in good time, and are sustained. UNICEF pays particular attention and closely focuses on those country offices and divisions that receive an audit report with a strongly qualified or adverse ratings. The Executive Office has written to country representatives or directors who receive adverse or unsatisfactory ratings expressing its concern and emphasizing the need for stronger management and improved performance. Starting in 2014, the Executive Director will also write to country representatives or directors who receive strongly qualified ratings to further emphasize the need for strong management for results. The UNICEF Enterprise Risk Management (ERM) framework identifies 12 risk areas. OIAI has made most of its recommendations in relation to seven of those risk areas. Of the 51 audit reports issued by OIAI, the most significant findings overall (approximately 70 per cent of all high-risk recommendations) were in the four following risk areas: results-based management and reporting, budget and cash management, governance and accountability, and

supply and logistics. Almost half (44 per cent) of the high-priority recommendations were made on the specific area of results-based management and reporting.

Results-based management and reporting

10. This risk area covers support to implementation and monitoring of programme implementation (which includes the Harmonized Approach to Cash Transfers, or HACT). To address these findings, management has taken or is planning to take the following actions:

(a) The roles and responsibilities regarding HACT for headquarters and regional and country offices have been articulated in a revised UNICEF policy issued in April 2014 together with the revised HACT framework of the United Nations Development Group. Establishing clear roles and responsibilities will support broad ownership and effective HACT management. The policy more clearly defines roles for both the Division of Financial and Administrative Management (DFAM) and the Division of Policy and Strategy (DPS), which will strengthen integrated management of financial, operational and reputational risks;

(b) Management at headquarters and regional levels has jointly developed a Global HACT Strategy for 2014-2017, which will be supported by a $20 million dedicated investment to strengthen HACT management oversight capacity. The strategy focuses on implementation and capacity-building activities that are regionally defined and makes transitional provisions to allow offices time to fully implement the new HACT policy. Approximately $19 million of the $20 million investment will be spent strengthening the capacity of country and regional offices. This strategy includes the development of performance monitoring indicators, analysis of results of the relevant offices, and identification of opportunities for improvements. In addition, tools required to proactively monitor performance, risks and compliance with internal controls (such as dashboards, system enhancements and reports) will be developed in partnership with the Division of Information Technology Services and Solutions (ITSS). Performance indicators have already been established and have been communicated in the revised HACT policy and procedures. Analysis of the results is an ongoing process. Tools to monitor performance, risks and compliance with internal controls, such as dashboards, are being developed for use by country offices;

(c) Immediate and transitional measures to capture performance data have been put in place. Indicators will be monitored by country offices inputting performance data using the new HACT interface, located in inSight (the performance management system of UNICEF that draws data from a variety of corporate systems and presents them in a "dashboard" format). Data captured in conjunction with information already available in VISION, or the Virtual Integrated System of Information, will be incorporated into country, regional and global dashboards. The HACT Management Platform will be tested during 2014, with roll-out to take place towards the end of 2014;

(d) Following the work of the Peer Review Group,[2] a revised supplement on budget policy was issued by the Comptroller, which included a greater focus on

[2] The Peer Review Group on Results-Based Management for the UNICEF Strategic Plan, 2014-2017, consisting of Member States and other United Nations agencies.

results. Updated guidance on the development of country programmes was released. This reinforced the linkages between results and budget planning;

(e) The Division of Policy and Strategy has focused on Results-Based Management and Results-Based Budgeting (RBM/RBB) in its 2014 workplans and in the guidance it issues. Five web-based training sessions on these topics were conducted with regional and country offices. At least 90 per cent of offices have participated in each of the five sessions. Most offices had more than one person participate (usually the Deputy Representative, a monitoring and evaluation specialist or a planning specialist). A new website for interactive discussions on RBM/RBB has also been launched, and a new e-learning package will be launched in May 2014.

Budget and cash management

11. This area includes financial management, budgeting, accounting, bank reconciliations and financial reporting. To address these findings, management has taken or will take the following actions in 2014:

(a) Through diligent monitoring of corporate investments, investment counter-parties and duration, Treasury will continue to meet the liquidity requirements of UNICEF while maximizing the investment returns with counter-parties approved by the Financial Advisory Committee. Efficiency will be increased by the automation and implementation of improved monitoring programmes, which will replace what were very time-consuming manual processes. The new monitoring programmes will be in place by the third quarter of 2014;

(b) DFAM is focusing on increasing the efficiency of country offices' currency and cash management, both for optimized conversion of local currency requirements (i.e., minimizing spreads and fees paid to financial institutions, thereby increasing funds available for local programmes and initiatives) and monitoring cash balances to maintain optimal levels. This will enable DFAM to proactively address country offices' cash needs and related issues in 2014.

Governance and accountability

12. This includes supervisory structures and the establishment and functioning of mandated statutory committees and advisory groups. Management has taken or will take the following actions:

(a) Mandated statutory committees and advisory bodies, such as the Country Management Team (CMT), Contracts Review Committee (CRC), Property Survey Board and Central Review Bodies (CRBs) are a key component of the risk control framework of UNICEF at country level. Management considers the effective functioning of such bodies to be a high-priority responsibility of country representatives. Monitoring the frequency and efficiency of statutory committees and advisory bodies at country level is a key accountability of regional directors. All headquarters divisions have worked to strengthen the functioning of such committees and groups in their respective areas. Supply Division (SD) has focused on CRCs (see "Supply and logistics" below). The Division of Human Resources (DHR) has directly trained 80 members of CRBs and provided training materials to a further 145 members in the past year. DPS, together with regional offices, trained 796 field staff in UNICEF Programme Planning Processes (PPP) in 2013, which

addresses the importance of statutory committees and advisory bodies generally, and CMTs and Programme Management Groups in particular. Management and DPS are working to adjust the PPP. UNICEF management will build monitoring of statutory committees and advisory bodies into the inSight performance management dashboard system in 2014;

(b) To further reinforce the accountabilities for effective functioning and oversight of committees and bodies, the Deputy Executive Director for Management will write to all senior managers, including all country representatives, regional directors and division directors, reminding them of the importance to the control framework of well-established and functioning mandatory statutory committees, advisory groups and other bodies.

Supply and logistics

13. This area covers procurement and contracting, transport and delivery, warehousing, consultants and contractors and payments. To address the recommendations in this area, management has taken or will undertake the following action:

(a) In 2013, SD trained 200 staff members from headquarters, regional offices and country offices in procurement, contracting of services, warehouse and inventory management, and project management. Among other things, this training addressed the establishment and effective operation of the CRC, which is one of the organization's most important statutory committees. SD also conducted a review of compliance with procurement rules and procedures in mid-2013, and results were shared with offices where any non-compliance was detected. The compliance review of 2012 found that 80 offices (at all levels) needed to strengthen their segregation of duties in relation to transactions in VISION. SD wrote to all offices, and 75 have responded indicating they have addressed the weaknesses. The compliance review is currently being finalized for 2013, and the Director of Supply Division will be writing to all heads of office with the results and priority actions by June 2014;

(b) The regional supply advisers from the West and Central Africa Regional Office (WCARO) and the Eastern and Southern Africa Regional Office (ESARO) each conducted 35 country office visits to provide operational/technical support as well as perform the usual regional office oversight and quality assurance functions in the supply and procurement area. SD staff were deployed to 95 offices in 2013 to provide technical and operational support.

14. As part of the 2014-2017 UNICEF Strategic Plan, Supply Division will take the following actions:

(a) Strengthen and optimize key supply chains with Governments (and suppliers, freight forwarders, implementing partners, country offices, regional offices and potential funders) for targeted products and locations to reduce costs, stock-outs and/or wastage and improve performance to achieve results;

(b) Build capacity of staff working in the supply function via an expanded syllabus of study on supply and exchange of knowledge and experience via forums, including HotSpots (online discussion forums and other communities of practice), and the like, which are part of the UNICEF Supply Community Platform, open to all UNICEF staff;

(c) Real-time monitoring of SD's performance via the enhanced Key Performance Indicators scorecard, the SD Results Matrix.

IV. Management actions and plans to address recommendations of country office audits

A. Overview

15. UNICEF management appreciates the continued attention given to governance, programme management, and operational support in the audits of country offices, and the findings reported by OIAI. UNICEF is committed to improving performance and strengthening management for results, in all audited areas. UNICEF management notes that each audit report included a plan developed by the country office (with support and oversight of the regional office) and agreed with OIAI, which specifies the action to be taken to address each audit recommendation.

16. The OIAI annual report notes that 448 recommendations, with 113 high-priority actions agreed, were made during audits of country offices during 2013. The highest frequency of recommendations and agreed actions to address those recommendations at the country office level are in the areas of results-based management and reporting and of governance and accountability.

B. Actions to strengthen controls in country offices with significant high-risk recommendations

17. The support given by the regional offices following country office audits led to improvements in the governance and accountability in the management of those offices. Country offices that were audited were given special attention by regional offices, and follow-up and on-site support has been provided to help those offices address specific recommendations. Further, regional offices have enhanced the use of inSight and its regional dashboard indicators and monitoring reports to strengthen monitoring and oversight of country programmes. Regional offices continue to hold country office representatives accountable for the governance of their offices and the effectiveness of the systems put into place.

18. Regional offices participate in audit exit meetings to obtain a first-hand understanding of issues identified and to assist country offices to develop action plans. Early engagement helped regional offices to provide off-site support and monitor the implementation of action plans. The status of implementation of agreed action plans was among the key performance indicators monitored by regional offices, on a quarterly basis.

19. HACT has been identified by all regional offices as a top regional priority for 2014. Regional and country offices continue to strengthen HACT implementation, including the expansion of technical assistance from regional offices, through additional funding in the 2014-2017 management budget. WCARO has been engaged with DFAM and DPS in developing a global and regional strategy for improving HACT implementation and compliance in the region. For example, WCARO has included HACT-related tasks in the e-PAS (the UNICEF electronic performance appraisal system) of all relevant staff. Strengthening regional

operations and programme capacity to support HACT implementation is a key concern of the East Asia and Pacific Regional Office. To strengthen national capacity, that office has taken various steps, including joint implementation with partners.

20. Most of the country office audits with high-priority recommendations in ESARO reported significant challenges in the implementation of HACT and the management of cash transfers. Capacity to carry out nuanced risk analysis and develop appropriate mitigation measures across operations and programmes will be given increased attention by ESARO. Further, the 2014-2017 Regional Office Management Plan established two new staff positions on risk management and quality assurance in the regional office team.

21. The Middle East and North Africa Regional Office has provided support to country offices for the implementation of an assurance plan that specifies the nature and frequency of assurance activities and training on HACT for both staff and implementing partners in three country offices. In 2013, 117 UNICEF staff members and 46 implementing partner staff members were trained in the region.

22. The Latin America and Caribbean Regional Office conducted a survey in January 2014 to gather information on the status of HACT implementation and bottlenecks in each country. The regional office is analysing the responses from all countries and will identify further actions to address the constraints found.

23. The Regional Office for Central and Eastern Europe and the Commonwealth of Independent States has supported and monitored the development of new macro-assessments in response to the lack of available macro-assessments in the region. The regional office continues to work with country offices in incorporating the risk profiles of partners that have been micro-assessed into the integrated HACT assurance plans.

24. WCARO staff in supply, human resources and operations have been closely involved with country office management on the resolution of problems identified during the Sierra Leone audit. A joint regional supply and human resource mission was undertaken to Sierra Leone to address performance issues and check on the progress in implementing the workplan to address the audit recommendations. Human resource measures have been taken to strengthen the supply team in Sierra Leone. The regional office endorsed the OIAI proposal to conduct a broader-scope audit of the Sierra Leone office in 2014. Further, a newly established Contracting Officer post will provide expertise and help to reduce risk in the procurement of services for the Sierra Leone country office.

25. In the East Asia and Pacific region, country offices with significant volumes of procurement through the regional office are required to submit supply plans by the first quarter of the year to provide for advance market search and supplier identification. Further, performance evaluations of consultants are prepared prior to final payments and are used to update the rosters of service providers.

26. The Regional Office for South Asia continues to support improvements in programme performance assessment and reporting, including the quality assurance of evaluations and results reporting. The regional office is further assisting the Afghanistan country office, which received 75 per cent of the high-priority recommendations in the region, to make programme and operational adjustments to improve school construction activities.

V. Management actions and plans to address recommendations regarding headquarters, regional offices, joint audits, and advisory services

A. Audits undertaken prior to 2013

27. Only four audit recommendations made prior to 2013 regarding headquarters, regional office and thematic audits were open as of 31 December 2013, as mentioned in the OIAI annual report. Details on progress made in closing those recommendations is contained in the annex to the present report.

B. Audits undertaken in 2013

28. OIAI issued seven audit reports of headquarters divisions, regional offices, themes and systems, and two joint reports with other United Nations agencies. The seven reports made 69 recommendations, of which 16 were high priority. 14 high-priority and 46 of the remaining 50 recommendations were closed as of 31 March 2014.

29. ***Baseline security in the UNICEF ERP System***. The audit assessed the ERP baseline security of UNICEF and its protection of the confidentiality and integrity of data and programmes. The audit made three high- and three medium-priority recommendations to ITSS. Management agreed and has created a dedicated, specialized function for ERP security and updated procedures. ITSS reports that all of the high-priority recommendations have been actioned. One of the high- and one of the medium-priority recommendations were formally closed as of 31 March 2014.

30. ***User access controls and segregation of duties***. The audit assessed UNICEF processes to detect and prevent unauthorized access and alterations in the VISION ERP system through weaknesses in user access controls, and made five high- and five medium-priority recommendations. Management agreed to all the recommendations and has implemented all of the high-priority and four of the medium-priority recommendations. In particular, regarding segregation of duties, management has achieved a substantial reduction of role-assignment conflicts, which are now at an acceptable level. The recommendation (medium-priority) for implementation of a global Governance, Risk and Compliance tool is pending the requisite resource allocation.

31. ***Procurement on behalf of other organizations and governments by Supply Division***. This audit found that controls over procurement on behalf of other organizations and governments were generally functioning, and did not make any high-priority recommendations. However, OIAI did make six medium-priority recommendations regarding some systems and processes for governance, accountability, performance monitoring, IT and workflow. Management agreed with and has taken action on all of the recommendations.

32. ***UNICEF Treasury Management***. OIAI's audit of Treasury management covered a number of areas, including risk management, safeguarding of financial assets, optimization of investment returns and reporting. It found controls generally functioning, and noted several positive practices, including a comprehensive foreign

currency risk management strategy. The audit made two high-priority recommendations. The first was for DFAM to ensure that VISION configuration and reporting issues were resolved so that IPSAS disclosure requirements were automated. The second was for DFAM to ensure that the quality control measures for Vendor Master Database maintenance are strengthened, and to consider the centralization of this function. The Treasury project, which will address this high-priority recommendation as well as five medium-priority recommendations, is progressing as planned. The required SAP Treasury analytics modules licenses have been acquired and the first gaps-identification phase for implementation has been completed. The objective is to have the project completed by the end of the third quarter of 2014. The Treasury project also will address all bank master data issues raised in the audit. However, the responsibility for vendor master data is cross-divisional and involves country offices as well, and is being addressed in the functions of the forthcoming Global Shared Services Centre.

33. ***Public Sector Alliances and Resource Mobilization Office (PARMO)***. PARMO has the lead responsibility in UNICEF for overall resource mobilization from public sector donors. The audit found controls over PARMO generally functioning and identified some satisfactory practices, including the availability of guidance for country offices on fundraising, and clear demarcation of responsibilities for donor engagement. However, OIAI and management agreed on two high- and eight medium-priority actions, including for a revised executive directive setting out a strategic vision for UNICEF resource mobilization, and a strategy at global level to improve donor reports. A first draft of the fundraising strategy on which the executive directive will be based, was presented to the Global Management Team in February 2014. Management anticipates that all agreed actions will be completed in 2014.

34. ***Office of Research***. This audit was issued in December with two high-priority and five medium-priority recommendations. The most important recommendations were to: (a) issue an executive directive setting out a policy on research that defines the office's mandate and reporting requirements; and (b) review the office's funding mechanisms. Work has started on both, and management is confident that all actions will be completed in 2014.

35. ***East Asia and Pacific Regional Office (EAPRO)***. The audit of EAPRO identified a number of positive practices, including a broad range of measures to improve emergency preparedness, support to country offices on risk-informed planning, support to programme monitoring, attention to ethical conduct and behaviour, and adequate procedures for financial and property management. The audit made two high-priority recommendations concerning cash transfers to partners, and procurement processes, and 15 medium-priority recommendations. EAPRO management has completed the agreed actions related to procurement processes and submitted them to OIAI for closure. An action plan has been developed to address the issues related to HACT and is awaiting funding. Management is confident that all agreed actions will be completed within the agreed time frames.

C. Advisory services undertaken in 2013

36. Management values the guidance on risks and controls that OIAI's advisory work provides. Advisory services assist management in ensuring timely intervention on issues of concern. OIAI issued four advisory reports, and completed an additional two advisory service engagements for which no reports were issued.

37. Three of the advisory engagements were related to cross-cutting areas in UNICEF: (a) a User Assessment of VISION Implementation; (b) input to the efforts to strengthen implementation of HACT; and (c) participation in discussions and consultations on updating the regulatory framework. The other three advisory engagements related to issues in specific country offices, including: support to Sierra Leone country office in settling a dispute with a clearing and forwarding company; follow-up on the progress made by UNICEF in managing a shipment of infested corn soya blend in the Somalia country office; and assisting the Somalia country office by reviewing the liquidation documents supplied by an implementing partner.

38. The advisory services provided by OIAI have assisted management. The results of the User Assessment of VISION were shared with the VISION Steering Committee (and with the VISION owners group, which took over from the Steering Committee in late 2013) and improvements to the ongoing training programmes and communications strategy were made based on the advice. The advice on strengthening HACT implementation was used in developing the actions detailed in this report. OIAI's advisory services were particularly helpful in the inter-agency work, which is fundamental to HACT. OIAI participated in the Review of the Regulatory Framework Task Force and provided important advice on risk control and compliance in a regulatory context.

39. The advisory services provided by OIAI at country level assisted the Sierra Leone country office in settling a dispute with a clearing and forwarding company, which involved multiple claims and counterclaims by both parties. The matter was resolved without loss to UNICEF. With respect to the Somalia county office, the advisory engagement from OIAI provided valuable assistance to management with regard to, among other things, disposal of the defective supplies. The country office also requested OIAI's assistance with liquidation and reimbursement of claims by an implementing partner. OIAI reviewed the documents and developed terms of reference for a further forensic analysis, which is ongoing and will be completed in 2014.

D. Joint audits and inter-agency audits

40. OIAI undertook two audits jointly with other United Nations agencies in 2013. UNICEF management welcomes this initiative as an important contribution to United Nations system-wide coherence.

41. OIAI conducted an audit of the Pooled Fund for humanitarian activities in the Democratic Republic of the Congo, which is intended to give the United Nations greater ability to raise and deploy funds for the most critical humanitarian needs. The audit found that the UNICEF office's controls over its activities related to the Pooled Fund were generally functioning, and noted that the office had developed an innovative and flexible approach to responding to emergencies. The audit did not

issue any high-priority recommendations. However, it did issue four medium-priority recommendations connected with cluster coordination, monitoring of emergency response, and cash transfers. Three of those recommendations were implemented in 2013, and the fourth is with OIAI for formal closure.

42. OIAI participated in a joint audit of the Cape Verde Joint Office (CVJO) led by the United Nations Development Programme (UNDP) with the United Nations Population Fund (UNFPA) and the United Nations Office on Drugs and Crime (UNODC). The audit report was issued by UNDP to the Administrator and Chair of United Nations Development Group (UNDG), with the recommendations addressed to the United Nations Resident Coordinator. As well as addressing Joint Office issues, the audit also made a number of recommendations on the joint programme. The audit identified seven high-risk areas (including one on HACT assurance). An independent evaluation of the CVJO is proposed for 2014. This was recommended by the Independent Evaluation of the global Delivering as One strategy in 2012 and agreed to by the Secretary-General. UNICEF supports the independent evaluation of the CVJO and looks forward to receiving the results. UNICEF management in headquarters and in WCARO are liaising with UNDG on the implementation of the audit recommendations.

VI. Management actions to address the findings of investigations

43. UNICEF has a policy of zero tolerance of all forms of fraud and corruption and is fully committed to ethical practices. The organization strongly encourages reporting of misconduct and will protect staff from all forms of harassment and reprisals for whistleblowing. The Executive Director issues an annual memo to all staff reporting the disciplinary actions taken by UNICEF to address proven wrongdoings by staff.

44. In February 2013, the online basic ethics awareness course, developed by UNODC, was made mandatory for all staff at levels P 5 and above, as well as deputy representatives, chiefs of operation and chiefs of zone offices, regardless of their level. The Ethics Office monitored compliance and corresponded with offices to improve compliance. As of mid-January 2014, 78 per cent of staff in the mandatory category had completed the course. Among other staff, 30 per cent had taken the online course. Some offices have made it mandatory for all staff. In addition, a total of 1,660 staff members were trained by the Ethics Office using a combination of face-to-face and web-based methods during 2013. Out of the 1,660 staff, 216 went through a training geared towards senior managers on creating and maintaining an ethical organizational culture. Supply Division also conducted training procurement and contract management. Integrity in procurement and contracts management is part of the basic training package. In 2013, SD trained a total of 112 staff members on integrity issues, 93 of whom were from divisions outside SD. In 2014, UNICEF plans to launch a new online course, mandatory for all staff who have not taken one and to all new staff. The Ethics Office, jointly with regional offices, has started training facilitators in Country Office Ethics Essentials. The aim is to foster short but frequent discussions on ethics in UNICEF offices. UNICEF will continue to encourage and enable a culture where staff feel confident and are empowered to speak up when they see wrongdoing or other unethical behaviour.

45. A dedicated Investigations Unit in OIAI carries out investigations in accordance with the Uniform Principles and Guidelines for Investigations, and in conformity with due process principles, as laid out in chapter X of the United Nations Staff Regulations and Rules. The established channels, including a dedicated anonymous email address (integrity1@unicef.org) are being used to bring concerns and allegations of wrongdoings to the attention of OIAI.

46. Management notes that 127 allegations of wrongdoings were reported in 2013 compared to 62 in 2012. In addition, 21 allegations were carried over from 2012, making a total of 148 allegations managed in 2013. All 21 of the allegations carried over from 2012 and 82 of those reported in 2013 were closed in 2013, for a total of 103 cases closed in 2013, with 45 carried forward to 2014.

47. Management notes the substantial increase in allegations made to OIAI and investigations carried out. Management views this increase positively, as it likely indicates a positive impact of the ongoing ethics training and the increasing willingness of staff to report suspected fraud and other wrongdoing. Management also notes positively that some of the increase is due to a more accurate recording of incoming matters by OIAI, which is now aligned with that of other United Nations agencies, and that some of the increased caseload is due to OIAI now investigating third-party fraud in accordance with the new UNICEF policy on Prohibiting and Combating Fraud and Corruption, issued in August 2013.

48. Management notes that of the 103 cases closed in 2013, 26 were referred to another UNICEF office, United Nations body or local authority. Management confirms that none of these cases involved a loss of funds or property to UNICEF.

49. Managements notes that where an investigation of wrongdoing is discontinued against a staff member because she or he separated from the organization, if a loss has occurred, efforts are continued to recover that loss. In addition, an analysis is conducted to identify and remedy any control weaknesses exposed by the wrongdoing, despite the separation of the staff member.

50. Management notes that five cases were closed because the subject left the organization. Of these five cases, three involved attempted fraud but did not result in any loss to UNICEF. One involved theft of UNICEF property, but all property was recovered and one involved harassment and entitlement fraud of $136.20, which was recovered from the staff member's final emoluments. There was no loss to UNICEF from any of these five cases.

51. The majority of the cases in 2013 consisted of fraud involving misuse of programme funds by third parties (18 per cent); followed by burglary, robbery or theft of UNICEF property or funds (17 per cent); followed by inappropriate staff conduct (10 per cent). Each of the other categories accounted for 6 per cent or less, and there were 18 per cent of cases labelled miscellaneous. Management notes that despite the overall increase in cases from 2012 to 2013, medical insurance fraud decreased from 16 cases (24 per cent) in 2012 to 6 cases (4 per cent) in 2013. Ethics training and communication from country representatives focused on medical insurance fraud in 2013, as it had been the most common case the previous year. This effort may have contributed to the significant reduction in cases.

52. The majority of the allegations originated from UNICEF offices in Eastern and Southern Africa (24 per cent), followed by West and Central Africa (23 per cent) and

South Asia (22 per cent). Ethics training is already focused on the two sub-Saharan Africa regions and in 2014 will also focus on South Asia.

53. UNICEF pursues and seeks recoveries of all identified financial losses. The total loss identified in investigated cases in 2013 was $193,909. This amount includes $13,800 due to cases of theft by unidentified offenders. The organization made recoveries amounting to $57,122 as of 31 March 2014 and efforts continued to recover the rest, either from our partners or through insurance.

54. All the cases submitted to the Policy and Administrative Law Section of DHR in 2013 for disciplinary actions were closed by 31 March 2014. Disciplinary actions against staff members arising from OIAI investigations led to the following actions: one dismissal; four written reprimands; two written censures; one written censure with loss of steps in grade; two demotions with deferment of eligibility for promotion for one year; and four cases that resulted in no action. Of the three cases reported by OIAI as still pending on 31 December 2013, two staff members were issued with written censure, to remain on file for five years, and one staff member left the organization, so no further action can be taken.

55. UNICEF management notes that OIAI has requested in 2014 additional permanent resources to meet its estimated resource needs for investigation services.

VII. Management actions to address concluding observations in the 2013 annual report of the UNICEF Audit Advisory Committee

56. UNICEF management appreciates the important contribution of the UNICEF Audit Advisory Committee (AAC) to the effective and independent oversight of the organization. As noted in the annual report of the AAC for 2013, the Committee members regularly interacted with the Deputy Executive Director for Management and other senior managers, and met with the Executive Director during the year.

57. UNICEF management notes that the AAC is satisfied with the overall effectiveness of the internal control environment.

58. UNICEF management notes and appreciates that the AAC has provided specific advice in its 2013 report. Management has given careful consideration to this advice and notes the following:

(a) Agrees that with regard to the Effectiveness and Efficiency initiative, management will pay close attention to change management challenges;

(b) Agrees with the AAC advice on HACT and notes that many of the actions referred to throughout this report focus on strengthening HACT;

(c) Notes the AAC advice that UNICEF should consider requiring the Executive Director to provide an annually signed management assertion regarding the effectiveness of internal controls. Management will, as advised by the AAC, give serious consideration to this suggestion and has done some preliminary research on this topic. The United Nations Finance and Budget Network has commissioned a task force to develop common United Nations standards on the development of a Statement of Internal Controls, which would be included with an

entity's financial statements. UNICEF is a member of this task force and plans on developing an implementation plan this year;

(d) Management notes the AAC advice that the AAC annual report should be separate from the OIAI annual report. Management also notes Executive Board decision 2009/15 requiring the AAC annual report to be annexed to the OIAI annual report;

(e) Management agrees with the AAC advice that it undertake a review of the accountability system presented to the Executive Board in 2009, and notes that through the Effectiveness and Efficiency initiative many assignments of roles and responsibilities have been reviewed and either confirmed or updated within the organizational framework, as required. Management anticipates that following the review of headquarter functions, expected to be completed by the end of 2014, all significant roles and responsibilities will be updated.

Annex

Progress update on audit recommendations that remain unresolved for more than 18 months, as of 31 December 2013

Audit observations for the two offices addressed in paragraphs 8 and 28 of this report	
Recommendations	***Progress update***
Audit: Staff Rotation (report issued in June 2011)	
The Division of Human Resources to: (a) update the policy and procedures for staff rotation and develop a strategy for implementation; (b) establish a process for periodic evaluation of rotation policies.	A revised draft of the policy on Staff Mobility and Rotation has been prepared following consultation with various stakeholders (country offices, regional offices, headquarters divisions, Global Staff Association, Deputy Executive Directors) during the second half of 2013. An Administrative Instruction on Non-Rotational Posts has also been drafted. UNICEF expects the revised policy to be issued before Q4 of 2014.
Audit: The framework for managing policies (report issued in June 2012)	
(a) The Change Management Office (CMO) should, in consultation with the Office of the Executive Director, select a cost-effective governance structure for managing organizational policies, procedures and guidance that balances the practical realities of UNICEF's business model with good practices.	(a) CMO continues working towards closing the recommendations through the work of the Regulatory Framework Task Force which was convened at the beginning of 2013. The Regulatory Framework Discussion Paper has been updated by the Regulatory Framework Task Force and presented to management on 27 February 2014. Management has validated the proposals in the Discussion Paper in principle, requesting some adjustments and additional components, which will be further developed with the Regulatory Framework Task Force. It is anticipated that the proposed policy,

	procedure and guidance will be presented to management in June 2014 for approval. (b) As above.
(b) CMO, in consultation with stakeholders, should establish minimum standards for policy development and management, communicated through a policy or procedure, to be applied across the organization for each point of the policy lifecycle. These standards should provide the guiding principles for assigning lead responsibilities and authorities for developing policies, procedures and guidance by key functional areas. These should also guide policymakers to ensure that policies, procedures and guidance: (i) are promulgated within limited specific document types, defined for the whole organization; (ii) meet common expected standards and procedures regarding content and quality assurance; (iii) are approved by authority based on documentation types; (iv) are communicated in a standard manner and disseminated in a minimum-standard number of languages, as deemed appropriate; (v) are risk-informed, as per the definitions of the ERM policy of the organization; (vi) are periodically reviewed for applicability and effectiveness; and (vii) are stored on the common organizational electronic platform (see recommendation c).	

(c) As part of finalizing the overall framework for managing UNICEF's regulatory content, CMO, in consultation with ITSS, should define a common organizational platform (for approval by the governance structure designated as per recommendation (a) for storing all policies, procedures and guidance. As part of this process, CMO should evaluate the scalability and inherent controls of the platform chosen to host the content. It should also review the potential to design the controls and the responsibilities for authors, approvers and administrators.	(c) Options on the development of a corporate Information, Document and Records Management (IDRM) architecture were presented at the November 2013 Global Management Team meeting. Management requested a more thorough report on the benefits and implementation plan of the IDRM. At the same time, consultants were retained to analyse and rationalize the IT Investment Project proposals, many of which had implications for IDRM in UNICEF. A proposal reflecting the findings of the studies made by the consultants is being prepared and will be presented to management by April 2014. The proposal will stress linkages to the Regulatory Framework.

United Nations E/ICEF/2014/AB/L.4

Economic and Social Council

Distr.: Limited
4 April 2014

Original: English

For action

United Nations Children's Fund
Executive Board
Annual session 2014
3-6 June 2014
Item 10 of the provisional agenda*

Creation of a fourth Assistant Secretary-General/Deputy Executive Director position in UNICEF in the context of organizational initiatives to strengthen management for results

Summary

The present document provides the context for a proposal to create a fourth position of Deputy Executive Director in UNICEF at the level of Assistant Secretary-General.

A draft decision is included in paragraph 8.

* E/ICEF/2014/5.

14-29129 (E) 110414

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1. In its resolution 67/226 of 21 December 2012, the General Assembly affirmed the importance of results-based management as an essential element of accountability that can contribute to improved development outcomes and the achievement of the Millennium Development Goals. While acknowledging the progress made in this regard by funds and programmes, the General Assembly requested UNICEF and others to accelerate work to develop a results culture at all levels.

2. Accordingly, the UNICEF Strategic Plan, 2014-2017, outlined a set of ambitious results in seven outcome areas focusing on the most disadvantaged and excluded children. The plan includes a results chain with associated indicators, and suggests several priority actions to strengthen management for results including increased support to the wider use of the Monitoring Results for Equity System (MoRES) by country offices.

3. With a clear mission and focused strategic direction, UNICEF continues to attract increasing donor support. Total revenue increased by over 300 per cent between 2000 and 2013. UNICEF income and trust funds grew from $4.5 billion in 2009 to $6.3 billion in 2013. This healthy growth, which reflects the confidence donors have in the capacity of UNICEF to deliver, allows the organization to expand its programmatic activities, focusing on the countries lagging behind in the achievement of the Millennium Development Goals. Beyond the inherent importance in the results themselves, maintaining partner trust and fulfilling the associated responsibility to demonstrate value for investment are top priorities for UNICEF management.

4. A considerable proportion of UNICEF income comes from individuals, corporations, and private foundations. The private sector contribution, which has seen significant growth over the last few years and is expected to grow even more in the coming years, provides a unique opportunity for UNICEF to increase its core resources. In 2013, there were over 3.6 million individual pledge donors to UNICEF in over 50 countries. This growing core of supporters of UNICEF can help form the foundation of a global movement for the rights of children.

5. UNICEF country programmes benefit also from the contributions of several global alliances and partnerships, such as GAVI, the Global Partnership for Education, Reproductive, Maternal, Newborn and Child Health, Scaling Up Nutrition, and Global Alliance for Improved Nutrition. As a founding member of these partnerships, which are critical for the realization of children's rights, UNICEF plays a positive role that must be sustained and enhanced.

6. Expanding programme and advocacy activities, increasing resources and responsibilities, and growing demands from global alliances and partnerships could outpace the capabilities of UNICEF to deliver results if organizational capacity is not strengthened commensurably. To this end, UNICEF will accelerate ongoing effectiveness and efficiency initiatives to strengthen management for results at all levels of the organization through the following:

(a) ***Establishing a post of Deputy Executive Director for field results***: Over the last decade, the number of global advocacy and programme partnerships has increased considerably, reflecting the global commitment to support the Millennium Development Goals. UNICEF is actively engaged in 80 partnerships and has a governance role in 50 of them while hosting the secretariats of 7. By engaging these

partnerships at senior level, UNICEF is able to leverage them effectively and advocate for an equity focus. However, these senior-level engagements have put a heavy burden on the small executive team, limiting their available time for regional and country support and guidance. To mobilize focused and coherent support to UNICEF field operations, including emergencies, it is proposed to establish a new position of Deputy Executive Director primarily focusing on management for field results. The fourth Deputy Executive Director, on behalf of and together with the Executive Director, will oversee the performance of regional offices, and through regional directors, country office performance in achieving programmatic results and sound financial management. The creation of this new post will not impact the Executive Board-approved institutional budget, as the related costs will be offset by savings from attrition and transfer of other posts in headquarters to this function;

(b) ***Re-aligning headquarters functions***: To manage for results at headquarters level, it is necessary to realign certain functional grouping and reporting lines. Bringing together the Office of Emergency Operations and Programme Division (under one cone reporting to the same Deputy Executive Director) will result not only in greater efficiency but also in humanitarian assistance being delivered in ways that support early recovery and development as mandated by Member States in the 2012 quadrennial comprehensive policy review of operational activities for development of the United Nations system. Similarly, to ensure that the external advocacy of UNICEF is more efficiently informed by evidence, research and data, the divisions and offices that perform these functions will be brought together under the supervision of the Deputy Executive Director of the Policy, Partnerships and Communications Group. The sections that handle partnerships with governments and intergovernmental and multilateral relations, including with the United Nations and international financial institutions, will be consolidated within this one division. The Secretary of the Executive Board will now report directly to the Executive Director;

(c) ***Confirming responsibilities of field offices***: A central strength of UNICEF is its decentralized organization, which allows its country representatives to exercise initiative and authority over programmes and resources. To further empower country representatives and regional directors, while holding them accountable for results, UNICEF reconfirms their authority and decision-making powers;

(d) ***Strengthening regional office capacities***: Regional offices have the primary responsibility and accountability for guiding and supporting the management of country offices. They are expected to exercise adequate oversight of country teams to ensure strong management for results and sound risk management. To help them fulfil effectively this crucial responsibility, the oversight capabilities of the regional offices will be strengthened as necessary;

(e) ***Simplifying work processes and establishing a global shared services centre***: Efforts to simplify work processes that began in 2013 will be accelerated. At the same time, certain back-office transactions are being consolidated and moved to a global shared services centre by mid-2015. The transfer of these time-consuming transactions, such as invoice-processing, payments, and other personnel and financial transactions, will allow country teams to devote more time to programming and monitoring implementation and assuring the proper use of resources transferred to implementing partners.

(f) ***Implementing matrix management***: To better integrate capabilities at all levels of the organization, matrix management will be introduced in various areas. The objective of this approach is to increase collaboration across technical functions (health, nutrition, water, sanitation and hygiene, education, protection, gender, and communication for development) and among country, regional, and headquarters teams to achieve better horizontal and vertical integration. For example, to support field offices to achieve outcome 1c of the UNICEF Strategic Plan (reduction of mortality among children due to diarrhoea) a team of experts in health, WASH, nutrition, and communications from headquarters and regional offices will be formed with clear annual deliverables. Among other outcome areas that could benefit from matrix management are girls' transition to secondary education, stunting and HIV prevention and treatment. Existing informal sectoral networks and communities of practice will be formed into child outcome teams. A culture that rewards cross-sectoral collaboration and management for results will be promoted throughout the organization. Matrix management will include clearly assigned roles and responsibilities for results;

(g) ***Leveraging technology and innovation***: To support matrix management and promote knowledge sharing within and outside the organization, we will invest in technologies that facilitate collaborative work. In addition, the recently established global innovation centre in Nairobi will help UNICEF harvest the best ideas being piloted in several countries for potential scale-up;

(h) ***Managing human resources***: Human resources remain a critical success factor in achieving the UNICEF strategic plan results. Efforts to improve talent sourcing, which began in 2013, will be accelerated. UNICEF will work to enhance its capability to respond quickly and flexibly to emergencies, while building talent to meet its growing responsibilities in post-crisis and fragile contexts. We will prepare a comprehensive plan to acquire, across the organization, needed talent while developing existing staff skills in management and leadership;

7. As we carry out these initiatives, we will keep the Executive Board and other partners informed of our progress and will seek further guidance as necessary.

Draft Decision

8. It is recommended that the Executive Board adopt the following draft decision:

The Executive Board

1. *Takes note with appreciation* of the proposed organizational initiatives to strengthen management for results;

2. *Approves* the establishment of the position of Deputy Executive Director for field operations at the level of Assistant Secretary-General;

3. *Requests* the Executive Director of UNICEF to update the Executive Board, in his 2016 annual report, on progress made.